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79-3609

21 NOV 1979

**DD/A REGISTRY**FILE: Security-2

MEMORANDUM FOR: Comptroller  
 Deputy Director for Science & Technology  
 Deputy Director for National Foreign  
 Assessment  
 Deputy Director for Operations

FROM: Don I. Wortman  
 Deputy Director for Administration

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SUBJECT: Secure Voice Terminal (STU-II) Procurement

25X1 REFERENCE: 

1. The allocations of 40 KY-70 secure voice terminals in 1979, as recommended in attachment A to the reference, satisfied the most urgent Agency remote secure voice requirements. However, some 31 requirements listed could not be satisfied due to the lack of terminals. The National Security Agency (NSA) plans no additional production of KY-70 terminals due to the development of the second generation secure voice terminal, STU-II (KY-71), which from technological and physical aspects is far superior to the KY-70. As the NSA STU-II schedule now stands, full production under competitive contract will not begin prior to early FY 1982, with delivery beginning no earlier than FY 1983.

2. The Office of Communications (OC) has been notified by NSA that a limited rate initial production (LRIP) contract for STU-II terminals will be negotiated in mid-CY 1980. Delivery of LRIP terminals would begin circa April 1981, nearly two years before delivery of full production equipment. Thus, if any of the Agency's outstanding remote secure voice requirements are to be satisfied prior to FY 1983, it will be necessary to procure STU-II terminals under the LRIP contract. The LRIP is to be a sole source contract, with some risk to the contractor, for a quantity less than 1,000 terminals. Therefore, the cost of a LRIP STU-II is estimated to be approximately  or nearly double the cost expected for full production units produced in larger quantity under competitive procurement. Spare component kits are estimated to cost approximately

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3. The OC FY 1979 secure voice funds programmed for STU-II terminals were cut; however, OC was able to forward  in FY 1979 New Support funds to NSA to procure ten terminals and three spares kits. Secure voice funding for STU-II terminals was also cut from the FY 1980 OC program; however, OC has identified  in FY 1980 New Support funds for procurement of additional terminals and/or spares kits. As with the KY-70 equipment, it will be necessary to provide two to four terminals for wideband system interface. Considering the interface/spares requirements and the level of LRIP funding provided to date, it is expected that no more than ten or twelve outstanding requirements can be satisfied. (Although not pertinent to the LRIP procurement, OC FY 1981 programming for STU-IIIs was outside guidance and, therefore, funding for procurement of full production terminals will not be available in FY 1981.)

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4. If the Agency is to take advantage of the opportunity to procure STU-II terminals under the LRIP, funding must be forwarded to NSA by 31 January 1980. It is requested that OC be advised of any funding which can be made available for this purpose by 13 January 1980, at which time details for transferring the funds to OC will be determined. The point of contact within

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/s/ Don Wortman  
Don I. Wortman

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ORIGINATOR:

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Director of Communications

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